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Approved by White House
1/3/63

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DATE: December 11, 1962

TIME: 4:00 p.m.

PART I (of 5)

MEMORANDUM OF CONVERSATION

Subject: Current Situation in Chile, and the Alliance for Progress.

Participants:

CHILE

President Alessandri
Foreign Minister Martinez
Finance Minister Mackenna
Senator Angel Faivovich
Ambassador Walter Muller
Budget Director Sergio Molina
Sr. Alfonso Echeverria (Interpreter)

FILE

UNITED STATES

President Kennedy
Ambassador Charles Cole
Assistant Secretary Edwin Martin
Mr. Teodoro Moscoso, Coordinator, Alliance for Progress
Mr. Herbert May, ARA
Mr. Ralph Dungan, White House
Mr. Fernando Van Reigersberg, LS
Mr. Neil Seidenman, LS

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At President Kennedy's invitation, President Alessandri made a general review of the Chilean situation, covering political and economic developments in the first four years of his administration. While much has been accomplished, the national development program will require foreign assistance. United States policies on credits have created certain difficulties, but new approaches on credit administration have been introduced. The Alliance for Progress has awakened the enthusiasm of the people, the

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Government of Chile supports the Alliance, and it is complying with the Charter of Punta del Este. The interest and efforts of the Chilean Government in fulfilling the commitments of Punta del Este are evident, and it is hoped that assistance of the nature and scope suggested by the OAS Ad Hoc Committee of Experts will be forthcoming, to enable Chile to continue its progress.

President Alessandri described the agricultural sector of Chile, commenting on much erroneous information about Chile's agrarian problems. While better land distribution is a goal, particularly important is the adjusting of farm prices in relation to industry; the latter sector has been favored in past development programs.

President Alessandri mentioned certain difficulties in implementing the Alliance for Progress. A particular problem is the United States procedure on development loans, which requires Chile to carry out investment projects, with reimbursement after construction. Another problem is in the foreign exchange field, with the United States restricted account system. While \$160 million has been authorized in aid, the Chilean Government has only received \$84 million.

Mr. Moscoso said that a remedy was being developed on the development loans, in order to adopt a system of program financing on a revolving fund basis, as opposed to project financing. On restricted accounts, he commented that a modification of present procedures was being studied, but that the burdensome questionnaire required from shippers was a measure introduced to control the United States balance of payments problem.

President Kennedy said that the United States balance of payments position required certain controls, including these forms. The United States was faced with either stopping aid or providing it under certain controls. A letter of credit procedure could be used to remedy part of the difficulty to which President Alessandri referred, and these difficulties could be worked out on the ministerial level.

President Alessandri stated that he did not see insurmountable economic or social problems over the next two years, and predicted that there would be no economic or social factors that could bring an electoral setback for the democratic parties (in the 1964 elections). He thanked President Kennedy for the cooperation extended by the United States, and praised the 100 members of the Peace Corps now in Chile.

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